

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2022

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2022 RM'000	Preceding Year Corresponding Quarter 31/12/2021 RM'000	Current Year - To -Date 31/12/2022 RM'000	Preceding Year Corresponding Period 31/12/2021 RM'000
Revenue	841,606	777,067	1,726,055	1,054,062
Cost of sales	(701,903)	(619,452)	(1,435,554)	(863,088)
Gross profit	139,703	157,615	290,501	190,974
Operating expenses	(40,854)	(41,156)	(85,675)	(72,050)
Other operating (expenses) / income	(3,036)	4,790	(81)	11,473
Operating profit	95,813	121,249	204,745	130,397
Interest income	12,045	386	21,150	834
Finance costs	(452)	(388)	(1,079)	(768)
Share of profit in associated companies, net of tax	15,460	11,031	32,017	8,085
Profit before taxation	122,866	132,278	256,833	138,548
Taxation	(25,432)	(35,579)	(53,814)	(37,819)
Profit for the period	97,434	96,699	203,019	100,729
Profit attributable to:				
Owners of the Company	73,533	73,777	155,414	74,435
Non-controlling interests	23,901	22,922	47,605	26,294
Profit for the period	97,434	96,699	203,019	100,729
Earnings per ordinary share (sen): -				
(a) Basic	23.38	23.47	49.41	23.68
(b) Diluted	N/A	N/A	N/A	N/A

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2022 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	31/12/2022 RM'000	31/12/2021 RM'000	31/12/2022 RM'000	31/12/2021 RM'000
Profit for the period	97,434	96,699	203,019	100,729
Other comprehensive income/(expense), net of tax				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net change in fair value of equity investments at fair value through other comprehensive income	713	9,027	1,922	23,617
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences from foreign operations	79	19	253	(5)
Share of other comprehensive (expense)/income of equity accounted associates, net of tax	(5,360)	(1,470)	(1,534)	1,372
Cash flow hedge	(4,801)	(67)	(2,272)	(585)
Total other comprehensive (expense) / income for the period	(9,369)	7,509	(1,631)	24,399
Total comprehensive income for the period	88,065	104,208	201,388	125,128
Total comprehensive income attributable to:				
Owners of the Company	65,635	81,307	154,481	99,013
Non-controlling interests	22,430	22,901	46,907	26,115
Total comprehensive income for the period	88,065	104,208	201,388	125,128

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.



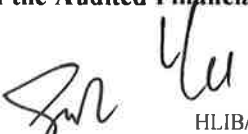
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31
DECEMBER 2022

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2022 RM'000	30/06/2022 RM'000
ASSETS		
Property, plant and equipment	218,924	233,250
Right-of-use assets	25,287	24,505
Investment property	4,000	4,000
Investments in associated companies	186,331	176,299
Other investments	70,376	68,726
Intangible assets	54,160	39,102
Deferred tax assets	21,829	21,829
Tax credit receivable	960	960
TOTAL NON-CURRENT ASSETS	581,867	568,671
Inventories	317,418	311,782
Trade and other receivables, including derivatives	298,250	279,685
Current tax assets	2,677	2,006
Short-term money market funds and term investment account-i	927,600	132,683
Cash and cash equivalents	571,095	1,271,174
TOTAL CURRENT ASSETS	2,117,040	1,997,330
TOTAL ASSETS	2,698,907	2,566,001
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,739,595	1,647,752
Treasury shares - at cost	(63,318)	(63,318)
	1,997,494	1,905,651
NON-CONTROLLING INTERESTS		
	164,867	148,432
TOTAL EQUITY	2,162,361	2,054,083
LIABILITIES		
Lease liabilities	4,683	3,843
Deferred tax liabilities	5,357	5,357
Employee benefits	24,324	24,067
TOTAL NON-CURRENT LIABILITIES	34,364	33,267
Borrowings (unsecured)	16,260	18,689
Lease liabilities	4,880	4,880
Trade and other payables, including derivatives	435,063	411,864
Tax payable	45,979	43,218
TOTAL CURRENT LIABILITIES	502,182	478,651
TOTAL LIABILITIES	536,546	511,918
TOTAL EQUITY AND LIABILITIES	2,698,907	2,566,001
Net assets per share attributable to owners of the Company (RM)	6.35	6.06

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.


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The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022

←----- Attributable to owners of the Company ----->

←----- Non-distributable -----> Distributable

	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserves RM'000	Hedging reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Current year-to-date ended 31 December 2022											
At 1 July 2022	321,217	(63,318)	32,121	3,714	(58)	(15,262)	533	1,626,704	1,905,651	148,432	2,054,083
Profit for the period	-	-	-	-	-	-	-	155,414	155,414	47,605	203,019
Other comprehensive income/(expense): -											
Gain on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	1,922	1,922	-	1,922
Foreign currency translation differences	-	-	253	-	-	-	-	-	253	-	253
Share of other comprehensive expense of equity accounted associates, net of tax	-	-	(1,534)	-	-	-	-	-	(1,534)	-	(1,534)
Cash flow hedge	-	-	-	-	(1,574)	-	-	-	(1,574)	(698)	(2,272)
Total comprehensive income/(expense) for the period	-	-	(1,281)	-	(1,574)	-	-	157,336	154,481	46,907	201,388
Share-based payments/transactions	-	-	-	-	-	-	266	-	266	117	383
Dividend	-	-	-	-	-	-	-	(62,904)	(62,904)	(30,589)	(93,493)
Total transactions with owners of the Company	-	-	-	-	-	-	266	(62,904)	(62,638)	(30,472)	(93,110)
At 31 December 2022	321,217	(63,318)	30,840	3,714	(1,632)	(15,262)	799	1,721,136	1,997,494	164,867	2,162,361

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022 (Cont'd)

←----- Attributable to owners of the Company ----->
 ←----- Non-distributable -----> Distributable

	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserves RM'000	Hedging reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Preceding year corresponding period ended 31 December 2021											
At 1 July 2021	321,217	(63,318)	24,877	3,714	404	(15,699)	1,616	1,593,628	1,866,439	147,738	2,014,177
Profit for the period	-	-	-	-	-	-	-	74,435	74,435	26,294	100,729
Other comprehensive income/(expense): -											
Gain on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	23,617	23,617	-	23,617
Foreign currency translation differences	-	-	(5)	-	-	-	-	-	(5)	-	(5)
Share of other comprehensive income of equity accounted associates, net of tax	-	-	1,372	-	-	-	-	-	1,372	-	1,372
Cash flow hedge	-	-	-	-	(406)	-	-	-	(406)	(179)	(585)
Total comprehensive income/(expense) for the period	-	-	1,367	-	(406)	-	-	98,052	99,013	26,115	125,128
Share-based payments/transactions	-	-	-	-	-	-	259	-	259	114	373
Addition of equity interest in a subsidiary company	-	-	-	-	-	-	-	8,616	8,616	(20,258)	(11,642)
Dividend	-	-	-	-	-	-	-	(53,444)	(53,444)	-	(53,444)
Total transactions with owners of the Company	-	-	-	-	-	-	259	(44,828)	(44,569)	(20,144)	(64,713)
At 31 December 2021	321,217	(63,318)	26,244	3,714	(2)	(15,699)	1,875	1,646,852	1,920,883	153,709	2,074,592

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022



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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2022

	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2022	31/12/2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	256,833	138,548
Adjustments for: -		
Share of profit in associated companies, net of tax	(32,017)	(8,085)
Depreciation and amortisation	36,692	31,116
Dividend income	(696)	(10,316)
Non-cash items	2,954	(2,175)
Interest income	(21,150)	(834)
Finance costs	1,079	768
Operating profit before changes in working capital	243,695	149,022
Changes in working capital		
Net change in current assets	(23,720)	(72,272)
Net change in current liabilities	22,069	69,147
Tax paid	(51,724)	(48,580)
Interest income received	21,150	834
Finance costs paid	(1,079)	(768)
Dividend received	21,147	13,916
Retirement benefits paid	(890)	-
Net cash generated from operating activities	230,648	111,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(10,430)	(8,743)
Addition of intangible assets	(30,534)	(10,747)
(Placement)/Uplift in short-term money market funds and term investment account-i	(794,917)	135,223
Proceeds from disposal of property, plant & equipment	1,854	1,054
Net cash (used in) / generated from investing activities	(834,027)	116,787
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,039)	(1,579)
Acquisition of additional equity interest in a subsidiary company	-	(11,642)
Dividend paid to owners of the Company	(62,904)	(53,444)
Dividend paid to non-controlling shareholders of subsidiary companies	(30,589)	-
Drawdown of borrowings	63,320	49,090
Repayment of borrowings	(65,749)	(43,610)
Net cash used in financing activities	(96,961)	(61,185)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(700,340)	166,901
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,271,174	1,029,139
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	261	(7)
CASH & CASH EQUIVALENTS AT END OF PERIOD	571,095	1,196,033

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statements of financial position amounts:

	31/12/2022	31/12/2021
	RM'000	RM'000
Short-term money market fund and term investment account-i	19,008	96,965
Deposits, cash and bank balances	552,087	1,099,068
	571,095	1,196,033

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2022. This interim financial report also complies with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2022 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2022 which are applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group.

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclicity of interim operations

There has been no material seasonal or cyclical factor affecting the results of the quarter under review.

4. Nature and amounts of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the quarter under review and financial year-to-date.

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in the prior financial years.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

(a) There were no shares bought back during the quarter under review and financial year-to-date. The total number of ordinary shares of the Company (“HLI Shares”) bought back as of 31 December 2022 was 8,432,500 HLI Shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

(b) There were no additional shares purchased by the ESS Trusts during the quarter under review and financial year-to-date. The total number of HLI shares held by the ESS Trusts as of 31 December 2022 was 4,948,219 HLI Shares.

Subsequent to the quarter under review and financial year-to-date, a total of 100,342 HLI Shares held in ESS Trusts were transferred to an eligible executive of the Group following the vesting of free HLI Shares pursuant to the ESS.

There were no issuance of shares, shares cancellation, resale of treasury shares or repayment of debt or equity securities during the quarter under review and financial year-to-date.


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7. **Dividend paid**

During the financial year-to-date, the Company paid an interim single tier dividend of 20.0 sen per share amounting to RM63.9 million on 22 December 2022.

8. **Operating Segments**

The Group's segmental report for the financial year-to-date is as follows: -

	Consumer Products RM'000
Segment profit	<u>198,836</u>
Included in the measure of segment profit are:	
Revenue from external customers	1,583,161
Depreciation and amortisation	<u>(33,187)</u>
Reconciliation of reportable segment profit	
	RM'000
Profit	
Reportable segment	198,836
Non-reportable segment	5,909
Interest income	21,150
Finance costs	(1,079)
Share of profit in associated companies, net of tax	32,017
Consolidated profit before taxation	<u>256,833</u>
	Depreciation and amortisation RM'000
	External revenue RM'000
Reportable segment	1,583,161
Non-reportable segment	142,894
Total	<u>1,726,055</u> <u>36,692</u>

9. **Material events not reflected in the financial statements**

There are no material subsequent events to be disclosed as at the date of this report.

10. **Changes in the composition of the Group**

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations other than as mentioned below:

The following Company's subsidiaries have been placed under member's voluntary liquidation: -

- (i) Glenex Sdn Bhd, an indirect wholly-owned subsidiary;
- (ii) Maxider Sdn Bhd, a wholly-owned subsidiary; and
- (iii) Avenues Zone, Inc, an indirect wholly-owned subsidiary.

The liquidations are currently pending tax clearance from the Inland Revenue Board.


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11. Review of Performance

For the quarter under review, the Group recorded revenue of RM842 million and profit before taxation (“PBT”) of RM123 million as compared with revenue of RM777 million and PBT of RM132 million for the corresponding quarter of the preceding financial year ended 30 June 2022 (“FY2022”).

For the financial year-to-date, the Group recorded revenue of RM1,726 million and PBT of RM257 million as compared with revenue of RM1,054 million and PBT of RM139 million for the corresponding period of FY2022.

The lower PBT for the quarter despite an increase in revenue as compared with the corresponding quarter of FY2022 was mainly attributable to the higher material costs of motorcycles business as the result of unfavourable USD against Ringgit Malaysia and the significant increase in the energy costs.

Higher revenue and PBT for the financial year-to-date as compared with the corresponding period of FY2022 were mainly contributed by higher sales across all product segments. The revenue and PBT for the corresponding period of FY2022 were also low due to the curtailment of 2 months production due to Movement Control Order in the first quarter.

12. Material changes in profit before taxation against the immediate preceding quarter

For the quarter under review, the Group recorded PBT of RM123 million as compared with PBT of RM134 million for the preceding quarter. The lower PBT as compared with the preceding quarter was mainly due to the output was affected by the festive season breaks and additional public holidays from General Elections, coupled with the unfavourable USD against Ringgit Malaysia which increased the material costs of motorcycles business.

13. Prospects



The rising costs of materials and energy prices have affected the profit margin of the Group. The Group will continue to improve the plant productivity, reduce costs and develop new products to overcome these challenges. The Board expects the Group’s performance for the financial year ending 30 June 2023 to be satisfactory.

14. Profit forecast/profit guaranteed

This note is not applicable.

15. Profit before taxation

	Current Year Quarter 31/12/2022 RM'000	Current Year- To-date 31/12/2022 RM'000
Profit before taxation is arrived at after (charging) / crediting: -		
Gross dividend income from other investments	476	696
Depreciation and amortisation	(17,647)	(36,692)
Impairment loss on trade receivables	(95)	(146)
Provision for slow moving inventories	(2,237)	(379)
(Loss)/gain on foreign exchange	(477)	593
Gain/(loss) on fair value of financial assets at fair value through profit or loss	205	(272)
Gain on disposal of property, plant and equipment	-	810
Impairment loss on property, plant and equipment	(1,971)	(1,694)



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16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian - current year	25,432	35,579	53,795	37,819
- prior years	-	-	19	-
	<u>25,432</u>	<u>35,579</u>	<u>53,814</u>	<u>37,819</u>

17. **Corporate Proposals**

There are no corporate proposals announced but not completed as at the date of this report.

18. **Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 31 December 2022 is as follows: -

	RM'000
Unsecured short-term borrowings	<u>16,260</u>

There were no borrowings denominated in foreign currencies as of 31 December 2022.

19. **Changes in Material Litigation**

There are no material litigations as at the date of this report.

20. **Dividend**

(a) The Board does not recommend any interim dividend for the quarter ended 31 December 2022 of the financial year ending 30 June 2023 (2nd quarter FY2022 : NIL).

(b) For the financial year-to-date, a total single tier dividend of 20.0 sen per share (year-to-date FY2022: single tier dividend of 17.0 sen per share), has been declared and paid.



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21. Earnings Per Ordinary Share

(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM73,533,000 (2nd quarter FY2022: RM73,777,000) by the weighted average number of ordinary shares during the quarter of 314,525,000 (2nd quarter FY2022: 314,380,000).

The basic earnings per ordinary share for the financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM155,414,000 (year-to-date FY2022: RM74,435,000) by the weighted average number of ordinary shares during the period of 314,525,000 (year-to-date FY2022: 314,380,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year- To-	Year
	Quarter	Corresponding	Date	Corresponding
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	327,905	327,905	327,905	327,905
Treasury shares held at beginning of period	(8,432)	(8,432)	(8,432)	(8,432)
ESS Trust Shares held at beginning of period	(4,948)	(5,093)	(4,948)	(5,093)
	314,525	314,380	314,525	314,380
Effect of ESS Trust Shares vested	-	-	-	-
Weighted average number of ordinary shares (basic)	314,525	314,380	314,525	314,380

(b) Diluted earnings per ordinary share

The Group's diluted earnings per ordinary share for the quarter under review, financial year-to-date and preceding year's corresponding quarter/period approximates its basic earnings per ordinary share.


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22. Derivatives

The Group has entered into a number of forward foreign exchange contracts by subsidiaries to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 31 December 2022, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets / (Liabilities)
	RM'000	RM'000
Less than 1 year	130,603	(2,366)

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year ended 30 June 2022.

23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Hong Leong Industries Berhad

Wong Wei Fong
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
16 February 2023

